

# **Fast Facts about California Small Business**

**Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy  
V. Manuel Perez, Chair**

Small businesses play an essential role in California's regional economies and industry clusters, generating an annual payroll of \$6.2 billion in 2009.<sup>1</sup> Definitions of small business often vary by program and industry. Sometimes a small business is defined by number of employees and in other cases defined by gross receipts and/or other financial data.

## **California Economy**

- California's gross state product (GDP) was \$1.95 trillion in 2011, as compared to the United States with an estimated GDP of \$15 trillion.<sup>2</sup>
- California's GDP ranked it as the 9<sup>th</sup> largest economy in the world in 2011.<sup>3</sup>
- California's real GDP increased by 1.7% in 2010.<sup>4</sup> In 2011, it increased by 2%.<sup>5</sup>
- California had a labor force of 18.4 million people<sup>6</sup> with an unemployment rate of 10.7% in June 2012.<sup>7</sup>
- California has nine economic regions: Northern California, Northern Sacramento Valley, Greater Sacramento, Bay Area, Central Coast, San Joaquin Valley, Central Sierra, Southern California, and Southern Border.<sup>8</sup>
- California ranks 4<sup>th</sup> among 50 states in the Milken Institute's State Science and Technology Index. The index ranks states based on research and development dollars, number of patents issued, venture capital investment, and business starts.<sup>8</sup>
- California ranks 1<sup>st</sup> among 50 states for patents issued in 2011 when 30,750 total patents were granted.<sup>9</sup>
- California ranks 1<sup>st</sup> in start-ups and 1<sup>st</sup> in new branches in high-tech manufacturing in 2008.<sup>10</sup>
- California ranks 3<sup>rd</sup> among 50 states as having the heaviest business tax burden in the 2011-2012 State Business Tax Climate Index. California also ranks 2<sup>nd</sup> highest in the nation for its individual income tax rate at up to 10.3% from 2011-2012.<sup>11</sup>

## **Small Business Facts in the United States**

- In 2009, there are 5.6 million small businesses (employees 1-99) in the United States, constituting 98.2% of all private firms in the nation.<sup>12</sup>
- California, New York and Florida had the highest percentage of small businesses (employees 1-99), consisting of 97.4% of private firms in all three states in 2009.<sup>13</sup>
- Small businesses (employees 1-99) in the United States employed 40.1 million employees, 35% of all private-sector employees in 2009.<sup>14</sup>
- The Professional, Scientific, and Technical Services sector had the highest number of small businesses (employees 1-99) in 2009, which composed of 25.4% of all small firms in the U.S.<sup>15</sup>

## **Small Business Facts in California**

- Among all private sector employers in California in 2009, small businesses (employees 1-99) consist of 679,452 firms (97.4%) of all firms in the state.<sup>16</sup>
- Small businesses (employees 1-99) employ 37% of all of California's private-sector paid employees and paid 30.4% of the state's private sector payrolls in 2009.<sup>17</sup>
- Change in Small Business Employment in California (from year 1999 to 2009):
  - The number of small businesses (employees 1-99) increased from 547,053 to 679,452.<sup>18</sup>
  - The number of paid employees from small businesses (employees 1-99) stayed relatively constant at 4.7 million.<sup>19</sup>

- Below is a table of business growth by employee size from 2002 to 2008.<sup>20</sup>

<b>California Business Growth by Employee Size</b>						
<b>No. of Employees</b>	1-4	5-9	10-19	20-99	100-499	500+
<b>Growth of Jobs</b>	10.15%	6.01%	2.5%	0.87 %	2.7%	9.89%
<b>Growth of Firms</b>	29.25%	5.82%	2.48%	1.01%	3.09%	5.45%

Source: California Economic Profile: A Statewide Overview & Regional Analysis

- California small business by industry sectors (employing 1-99) :
  - In 2009, the Professional, Scientific, and Technical Services sector had the highest percentage of small businesses in California, consisting of 97.7% of the firms in the sector.<sup>21</sup>
  - The Health Care and Social Assistance sector had the second highest percentage of small businesses in California, consisting of 97.6% of all firms in the sector in 2009.<sup>22</sup>
  - In 2009, the Accommodation & Food Services sector has the largest number of workers employed by a small business in California, with a total of 1.3 million employees.<sup>23</sup>

#### **Micro Business in California** (5 or fewer employees)

- There were between 2.57 million and 3.25 million microenterprises in California in 2007.<sup>24</sup>
- Between 2.76 million and 4.07 million Californians were employed by microbusiness in 2007.<sup>25</sup>
- In 2009, members of the California Association for Microenterprise Opportunity (CAMEO) assisted 21,000 business, generating \$1.5 billion in economic opportunity. CAMEOs' research indicates that microenterprises have a much greater impact on the local community than that of a national chain store, having a multiplier effect of twice that of a national chain.<sup>26</sup>

#### **Businesses Owned and Operated by a Single Person**

- There were 21 million businesses owned and operated by a single person in the United States in 2009, with total receipts of \$837.7 million.<sup>27</sup>
- For California, there were 2.6 million businesses without employees, with total receipts of \$121.2 million in 2009.<sup>28</sup>
- The Professional, Scientific, and Technical Services sector had the largest number of businesses without employees in both the United States (3.0 million) and in California (474,903) in 2009.<sup>29</sup>

#### **Other Features About Small Businesses in California**

- In California, 1.6 million small businesses (employees 1-499) were male-owned and 1 million were female owned in 2007. From 2002-2007, the number of male-owned small firms increased by 3.7% while female-owned small firms increased by 16.7%.<sup>30</sup>
- 567,000 small businesses in California (employees 1-499) were Hispanic-owned, 509,000 were Asian-owned, 138,000 were African American-owned, 46,000 were native American/Alaskan-owned and 9,000 were Hawaiian and Pacific Islander-owned in 2007<sup>31</sup>.
- Below is a table of net job change by size of employees from 2006 to 2009 in the non-farm sectors.<sup>32</sup>

<b>California Net Job Change by Firm Size 2006-2009 (Nonfarm)</b>								
	Total Net New Jobs	1-4	5-9	10-19	20-99	100-499	<500	500+
2008-2009	-901,418	55,853	-43,545	-74,356	-222,863	-197,703	-488,614	-412,804
2007-2008	-12,287	91,746	2,094	-17,779	-46,968	-30,585	-1,492	-10,795
2006-2007	-60,110	125,188	19,767	-1,602	-46,761	-74,104	22,488	-82,598

Source: U.S. Dept. of Commerce, Bureau of Census

- 
- <sup>1</sup> <http://www.census.gov/econ/susb/> U.S. and State Totals spreadsheet; accessed 7-23-12
- <sup>2</sup> [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Misc.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Misc.htm) ; California's World Ranking 2011 GDP, accessed 7-10-2012
- <sup>3</sup> [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Misc.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Misc.htm) ; California's World Ranking 2011 GDP, accessed 7-10-2012
- <sup>4</sup> [http://www.bea.gov/newsreleases/regional/gdp\\_state/2012/pdf/gsp0612.pdf](http://www.bea.gov/newsreleases/regional/gdp_state/2012/pdf/gsp0612.pdf) California real GDP ; accessed 7-24-12
- <sup>5</sup> [http://www.bea.gov/newsreleases/regional/gdp\\_state/2012/pdf/gsp0612.pdf](http://www.bea.gov/newsreleases/regional/gdp_state/2012/pdf/gsp0612.pdf) Accessed 7-24-2012
- <sup>6</sup> <http://www.calmis.ca.gov/file/1fmonth/CaLMR.pdf> Accessed 7-18-2012
- <sup>7</sup> <http://www.calmis.ca.gov/file/1fmonth/CaLMR.pdf> Accessed 7-18-2012
- <sup>8</sup> <http://www.milkeninstitute.org/tech/tech.taf> Accessed 7-18-2012
- <sup>9</sup> [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cst\\_all.pdf](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cst_all.pdf) Accessed 7-18-2012
- <sup>10</sup> [http://www.gcx-online.com/gcx/article.asp?magarticle\\_id=653](http://www.gcx-online.com/gcx/article.asp?magarticle_id=653) Accessed 7-23-12
- <sup>11</sup> <http://taxfoundation.org/article/state-business-tax-climate-index-rankings-2011-2012> State Business Tax ; [http://taxfoundation.org/sites/taxfoundation.org/files/docs/state\\_individualincome\\_rates-2000-2012-20120216\\_july12.pdf](http://taxfoundation.org/sites/taxfoundation.org/files/docs/state_individualincome_rates-2000-2012-20120216_july12.pdf) State Individual Income Tax; accessed 7-26-12
- <sup>12</sup> <http://www.census.gov/econ/susb/> All U.S. Industries spreadsheet; accessed 7-18-2012
- <sup>13</sup> <http://www.census.gov/econ/susb/> U.S. and State Totals spreadsheet; accessed 7-18-2012
- <sup>14</sup> <http://www.census.gov/econ/susb/> All U.S. Industries spreadsheet; accessed 7-19-2012
- <sup>15</sup> <http://www.census.gov/econ/susb/> U.S. NAICS Sectors-Small Employment Size; accessed 7-18-2012
- <sup>16</sup> <http://www.census.gov/econ/susb/> State NAICS Sectors spreadsheet; accessed 7-18-2012
- <sup>17</sup> <http://www.census.gov/econ/susb/> State NAICS Sectors spreadsheet; accessed 7-18-2012
- <sup>18</sup> <http://www.census.gov/epcd/susb/1999/ca/CA--.HTM> 1999 data; <http://www.census.gov/econ/susb/> 2009 data; accessed 7-23-2012
- <sup>19</sup> <http://www.census.gov/epcd/susb/1998/ca/CA--.HTM> 1999 data; <http://www.census.gov/econ/susb/> 2009 data; accessed 7-23-12
- <sup>20</sup> [http://www.labor.ca.gov/panel/pdf/2008\\_California\\_Economic\\_Profile.pdf](http://www.labor.ca.gov/panel/pdf/2008_California_Economic_Profile.pdf) accessed 6-1-2011
- <sup>21</sup> <http://www.census.gov/econ/susb/> State NAICS Sector spreadsheet; accessed 7-23-12
- <sup>22</sup> <http://www.census.gov/econ/susb/> State NAICS Sector spreadsheet; accessed 7-23-12
- <sup>23</sup> <http://www.census.gov/econ/susb/> State NAICS Sector spreadsheet; accessed 7-23-12
- <sup>24</sup> [http://www.microbiz.org/wp-content/pdfs/SOR\\_2010\\_MicroEnterpriseReport.pdf](http://www.microbiz.org/wp-content/pdfs/SOR_2010_MicroEnterpriseReport.pdf) ; accessed 7-23-12
- <sup>25</sup> [http://www.microbiz.org/wp-content/pdfs/SOR\\_2010\\_MicroEnterpriseReport.pdf](http://www.microbiz.org/wp-content/pdfs/SOR_2010_MicroEnterpriseReport.pdf) ; accessed 7-23-12
- <sup>26</sup> [http://www.microbiz.org/wp-content/uploads/2011/04/2011\\_CAMEO\\_WebBrochure1.pdf](http://www.microbiz.org/wp-content/uploads/2011/04/2011_CAMEO_WebBrochure1.pdf); accessed 7-23-12
- <sup>27</sup> [http://factfinder2.census.gov/rest/dnldController/deliver?\\_ts=361208351367](http://factfinder2.census.gov/rest/dnldController/deliver?_ts=361208351367) Nonemployer Stats U.S. 2009; accessed 7-24-12
- <sup>28</sup> [http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=NES\\_2009\\_00A1&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=NES_2009_00A1&prodType=table) Nonemployer Stats California 2009; accessed 7-24-12
- <sup>29</sup> [http://factfinder2.census.gov/rest/dnldController/deliver?\\_ts=361208351367](http://factfinder2.census.gov/rest/dnldController/deliver?_ts=361208351367) U.S. 2009 nonemployer stats, [http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=NES\\_2009\\_00A1&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=NES_2009_00A1&prodType=table) California 2009 nonemployer stats ; accessed 7-24-12
- <sup>30</sup> [http://www.sba.gov/sites/default/files/ca11\\_0.pdf](http://www.sba.gov/sites/default/files/ca11_0.pdf) California State Business Profile; accessed 7-24-12
- <sup>31</sup> [http://www.sba.gov/sites/default/files/ca11\\_0.pdf](http://www.sba.gov/sites/default/files/ca11_0.pdf) California State Business Profile; accessed 7-24-12
- <sup>32</sup> [http://www.sba.gov/sites/default/files/ca11\\_0.pdf](http://www.sba.gov/sites/default/files/ca11_0.pdf) State NAICS Employment Change 2009; accessed 7-24-12